

FILED

MAR - 7 2012

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIAUNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA

SACRAMENTO DIVISION

In re) No. 11-20164-A-7
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MASUE MARTINSON,)
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Debtor.)
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MEMORANDUM

The debtor has filed an ex parte motion to reopen his chapter 7 case for the purpose of amending the schedules in order to list previously omitted creditors.

This chapter 7 case was filed on January 3, 2011. The notice of the meeting of creditors informed the creditors that this was a "no-asset" case. Accordingly, creditors were instructed to not file proofs of claim.

The trustee ultimately filed a report of "no distribution," meaning that he had located no nonexempt assets that could be liquidated for the benefit of creditors and accordingly no dividend would be paid to them. The trustee's report was approved without objection.

Thus, this case was a "no-asset, no-bar-date-case." A creditor holding a claim otherwise dischargeable by the debtor had its claim discharged even though the claim was unscheduled and the creditor was not given notice of the bankruptcy. 11 U.S.C. § 727(b); Beezley v. California Land Title Co. (In re

1 Beezley), 994 F.2d 1433 (9th Cir. 1993); White v. Nielsen (In re
2 Nielsen), 383 F.3d 922, 925 (9th Cir. 2004). It is unnecessary
3 to reopen the case and amend the schedules in order to discharge
4 the claim of an omitted creditor.

5 If the omitted creditor's claim could have been excepted
6 from discharge by 11 U.S.C. § 523(a)(2), (a)(4), or (a)(6), the
7 debtor's failure to schedule the claim when the petition was
8 filed meant that the omitted creditor did not receive notice of
9 the deadline for filing a complaint. See 11 U.S.C. § 523(c);
10 Fed. R. Bankr. P. 4007(b). Therefore, unless the omitted
11 creditor had actual knowledge that the petition had been filed in
12 time to file a timely dischargeability complaint, the failure to
13 initially schedule the claim may mean it is nondischargeable. 11
14 U.S.C. § 523(a)(3)(B). Amending the schedules, however, will
15 have not resolve any such issue.

16 In short, merely reopening the case to permit the amendment
17 of the schedules will have no effect whatever. The debtor does
18 not need to amend the schedules. If the claim of an omitted
19 creditor was otherwise dischargeable by a chapter 7 discharge, it
20 was discharged even though the creditor was omitted from the
21 schedules.

22 If the omitted creditor or the debtor wants a declaration
23 that the claim is, or is not, made nondischargeable by section
24 523(a)(3)(B), one of them must file an adversary proceeding. See
25 In re Costa, 172 B.R. 954 (Bankr. E.D. Cal. 1994).

26 In connection with the resolution of any such adversary
27 proceeding, two questions must be determined. Did the omitted
28 creditor have actual notice of the bankruptcy filing in

1 sufficient time to file a timely dischargeability complaint? See
2 Fed. R. Bankr. P. 4007(c). And, if there was no actual notice of
3 the petition, is its claim otherwise nondischargeable under 11
4 U.S.C. § 523(a)(2), (a)(4), or (a)(6)?¹ If the omitted creditor
5 had actual notice, or if its claim is not excepted from discharge
6 by 11 U.S.C. § 523(a)(2), (a)(4), or (a)(6), the court will
7 declare that the omitted claim was discharged.

8 However, whatever declaration may be appropriate, it can be
9 given only in an adversary proceeding.

10 Therefore, the court will permit this case to be reopened.
11 Because this was a "no-asset, no bar date" case, the unscheduled
12 claims of the omitted creditors were discharged unless they are
13 made nondischargeable under section 523(a)(3)(B). To obtain a
14 declaration that an omitted claim is not (or is) made
15 nondischargeable by section 523(a)(3)(B), the debtor (or the
16 omitted creditor) must file, serve, and prevail in an adversary
17 proceeding. The only reason to reopen the case is to permit the
18 filing of such an adversary proceeding.

19 Dated: *7 March 2012* By the Court

20 
21 Michael S. McManus
22 United States Bankruptcy Judge
23

24 ¹ If the omitted creditor is claiming a debt is non-
25 dischargeable under 11 U.S.C. § 523(a)(1), (5), (7)-(17), the
26 creditor cannot be prejudiced by the omission of its claim in a
27 "no asset" case. Unlike section 523(a)(2), (4) or (6), there is
28 no deadline for the filing of such a dischargeability complaint
and a nonbankruptcy court may determine whether the debt falls
into an exception enumerated in section 523(a)(1), (5), (7)-(15),
(16), (17). 11 U.S.C. § 523(c)(1); Fed. R. Bankr. P. 4007(c).

CERTIFICATE OF MAILING

I, Susan C. Cox, in the performance of my duties as a
judicial assistant to the Honorable Michael S. McManus, mailed by
ordinary mail to each of the parties named below a true copy of
the attached document.

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J. Hopper
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Dated: March 7, 2012

Susan C. Cox

Susan C. Cox
Judicial Assistant to Judge McManus